

HOUSE BILL 10

Q3, K4

01r0399

(PRE-FILED)

By: **Delegate Manno**

Requested: July 17, 2009

Introduced and read first time: January 13, 2010

Assigned to: Appropriations and Ways and Means

A BILL ENTITLED

1 AN ACT concerning

2 **Teacher and Employee Pension Sustainability and Solvency Trust Fund**

3 FOR the purpose of imposing a tax at a certain rate on certain income in excess of a
4 certain amount; providing for the distribution of revenue attributable to a
5 certain State income tax imposed on income of individuals in excess of a certain
6 amount to a certain special fund; requiring certain corporations to compute
7 Maryland taxable income using a certain method; requiring the Comptroller to
8 make certain estimates and distribute certain income tax revenue from
9 corporations to a certain special fund; providing that, subject to regulations of
10 the Comptroller, certain groups of corporations shall file a combined income tax
11 return reflecting the aggregate income tax liability of all of the members of the
12 group; requiring the Comptroller to adopt certain regulations; requiring certain
13 regulations to be consistent with certain regulations adopted by the Multistate
14 Tax Commission; establishing the Teacher Pension Sustainability and Solvency
15 Trust Fund; requiring the Secretary of Budget and Management to administer
16 the Fund; providing that the Fund may only be used to transfer certain
17 amounts to the General Fund of the State to offset certain contributions to
18 certain systems of the State Retirement and Pension System; altering the
19 determination of the State's contribution for certain plans in the State
20 Retirement and Pension System; requiring the State's actuary to calculate a
21 certain alternative contribution rate for certain plans in the State Retirement
22 and Pension System; requiring the Governor under certain circumstances to
23 transfer certain amounts from a certain trust fund to the General Fund of the
24 State for certain fiscal years; defining certain terms; providing for the
25 application of this Act; and generally relating to the Maryland individual and
26 corporate income tax and the State's contribution for certain plans in the State
27 Retirement and Pension System.

28 BY adding to

29 Article – Tax – General

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 Section 2–608.2, 2–613.1, and 10–402.1
 2 Annotated Code of Maryland
 3 (2004 Replacement Volume and 2009 Supplement)

4 BY repealing and reenacting, with amendments,
 5 Article – Tax – General
 6 Section 2–609, 2–613.1, 2–614, 2–615, 10–105(a), and 10–811
 7 Annotated Code of Maryland
 8 (2004 Replacement Volume and 2009 Supplement)

9 BY adding to
 10 Article – State Finance and Procurement
 11 Section 7–327
 12 Annotated Code of Maryland
 13 (2009 Replacement Volume)

14 BY repealing and reenacting, with amendments,
 15 Article – State Personnel and Pensions
 16 Section 21–304
 17 Annotated Code of Maryland
 18 (2009 Replacement Volume and 2009 Supplement)

19 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
 20 MARYLAND, That the Laws of Maryland read as follows:

21 **Article – Tax – General**

22 **2–608.2.**

23 **AFTER MAKING THE DISTRIBUTIONS REQUIRED UNDER §§ 2–604**
 24 **THROUGH 2–608.1 OF THIS SUBTITLE, THE COMPTROLLER SHALL DISTRIBUTE**
 25 **THE INCOME TAX REVENUE FROM INDIVIDUALS ATTRIBUTABLE TO THE STATE**
 26 **INCOME TAX IMPOSED UNDER § 10–105(A)(3) OF THIS ARTICLE TO THE**
 27 **TEACHER PENSION SUSTAINABILITY AND SOLVENCY TRUST FUND**
 28 **ESTABLISHED UNDER § 7–327 OF THE STATE FINANCE AND PROCUREMENT**
 29 **ARTICLE.**

30 **2–609.**

31 After making the distributions required under §§ 2–604 through [2–608.1]
 32 **2–608.2** of this subtitle, the Comptroller shall distribute the remaining income tax
 33 revenue from individuals to the General Fund of the State.

34 **2–613.1.**

1 (A) ON OR BEFORE MARCH 1 OF EACH CALENDAR YEAR, THE
2 COMPTROLLER SHALL ESTIMATE THE TOTAL ADDITIONAL INCOME TAX
3 REVENUE FROM CORPORATIONS, IF ANY, THAT WILL BE COLLECTED FOR THE
4 FISCAL YEAR THAT BEGINS ON JULY 1 OF THAT CALENDAR YEAR AS A RESULT
5 OF THE REQUIREMENT UNDER § 10-402.1 OF THIS ARTICLE THAT MEMBERS OF
6 COMBINED GROUPS COMPUTE MARYLAND TAXABLE INCOME USING THE
7 COMBINED REPORTING METHOD.

8 (B) AFTER MAKING THE DISTRIBUTION REQUIRED UNDER § 2-613 OF
9 THIS SUBTITLE, FROM THE REMAINING INCOME TAX REVENUE FROM
10 CORPORATIONS, THE COMPTROLLER SHALL DISTRIBUTE THE AMOUNT
11 DETERMINED UNDER SUBSECTION (A) OF THIS SECTION TO THE TEACHER
12 PENSION SUSTAINABILITY AND SOLVENCY TRUST FUND ESTABLISHED UNDER §
13 7-327 OF THE STATE FINANCE AND PROCUREMENT ARTICLE.

14 [~~2-613.1.~~] **2-613.2.**

15 After making the [~~distribution~~] DISTRIBUTIONS required under [~~§ 2-613~~] §§
16 **2-613 AND 2-613.1** of this subtitle:

17 (1) of the remaining income tax revenue from corporations, the
18 Comptroller shall distribute:

19 (i) for fiscal year 2008 only:

20 1. \$16,000,000 to the Higher Education Investment
21 Fund established under § 15-106.6 of the Education Article; and

22 2. the amount by which 15.15% of the remaining income
23 tax revenue from corporations exceeds \$16,000,000 to the General Fund; and

24 (ii) for each of fiscal years 2009 and 2010 only:

25 1. 6% to the Higher Education Investment Fund
26 established under § 15-106.6 of the Education Article; and

27 2. 9.15% to the General Fund; and

28 (2) for fiscal year 2011 and subsequent fiscal years, the Comptroller
29 shall distribute 15.15% of the remaining income tax revenue from corporations to the
30 General Fund of the State.

31 2-614.

32 (a) After making the distributions required under §§ 2-613 [~~and 2-613.1~~],
33 **2-613.1, AND 2-613.2** of this subtitle, the Comptroller shall distribute monthly 24%

1 of the remaining income tax revenue from corporations to a special fund to be
2 distributed as provided in subsection (b) of this section.

3 (b) (1) From the special fund, the Comptroller shall distribute an amount
4 equal to 24% of the cost to administer the income tax on corporations to an
5 administrative cost account.

6 (2) After making the distribution required under paragraph (1) of this
7 subsection, the Comptroller shall distribute the balance in the special fund to the
8 Gasoline and Motor Vehicle Revenue Account in the Transportation Trust Fund.

9 2-615.

10 After making the distributions required under §§ 2-613, [2-613.1, and]
11 **2-613.1, 2-613.2, AND** 2-614 of this subtitle, the Comptroller shall distribute the
12 remaining income tax revenue from corporations to the General Fund of the State.

13 10-105.

14 (a) (1) Except as provided in paragraph (3) of this subsection, for an
15 individual other than an individual described in paragraph (2) of this subsection, the
16 State income tax rate is:

- 17 (i) 2% of Maryland taxable income of \$1 through \$1,000;
- 18 (ii) 3% of Maryland taxable income of \$1,001 through \$2,000;
- 19 (iii) 4% of Maryland taxable income of \$2,001 through \$3,000;
- 20 (iv) 4.75% of Maryland taxable income of \$3,001 through
21 \$150,000;
- 22 (v) 5% of Maryland taxable income of \$150,001 through
23 \$300,000;
- 24 (vi) 5.25% of Maryland taxable income of \$300,001 through
25 \$500,000; and
- 26 (vii) 5.5% of Maryland taxable income in excess of \$500,000.

27 (2) Except as provided in paragraph (3) of this subsection, for spouses
28 filing a joint return or for a surviving spouse or head of household as defined in § 2 of
29 the Internal Revenue Code, the State income tax rate is:

- 30 (i) 2% of Maryland taxable income of \$1 through \$1,000;
- 31 (ii) 3% of Maryland taxable income of \$1,001 through \$2,000;

- 1 (iii) 4% of Maryland taxable income of \$2,001 through \$3,000;
- 2 (iv) 4.75% of Maryland taxable income of \$3,001 through
3 \$200,000;
- 4 (v) 5% of Maryland taxable income of \$200,001 through
5 \$350,000;
- 6 (vi) 5.25% of Maryland taxable income of \$350,001 through
7 \$500,000; and
- 8 (vii) 5.5% of Maryland taxable income in excess of \$500,000.

9 (3) [For a taxable year beginning after December 31, 2007, but before
10 January 1, 2011, the State income tax for] **IF THE MARYLAND TAXABLE INCOME OF**
11 **an individual, including spouses filing a joint return or a surviving spouse or head of**
12 **household as defined in § 2 of the Internal Revenue Code, [is:**

13 (i) for Maryland taxable income up to \$500,000, the rate
14 specified in paragraph (1)(i) through (vi) or (2)(i) through (vi) of this subsection; and

15 (ii) for Maryland taxable income in excess of \$500,000:

16 1. 5.5% of Maryland taxable income of \$500,001 through
17 \$1,000,000; and

18 2. **6.25%] EXCEEDS \$1,000,000, A STATE INCOME TAX**
19 **IN ADDITION TO THE RATE SPECIFIED IN PARAGRAPH (1) OR (2) OF THIS**
20 **SUBSECTION IS IMPOSED AT A RATE OF 0.75%** of Maryland taxable income in
21 excess of \$1,000,000.

22 **10-402.1.**

23 **(A) (1) IN THIS SECTION THE FOLLOWING WORDS HAVE THE**
24 **MEANINGS INDICATED.**

25 **(2) “COMBINED GROUP” MEANS:**

26 **(I) ALL MEMBERS OF A UNITARY GROUP THAT ARE**
27 **SUBJECT TO THE INCOME TAX OR WOULD BE SUBJECT TO THE INCOME TAX IF**
28 **DOING BUSINESS IN THE STATE; AND**

29 **(II) OTHER MEMBERS OF THE UNITARY GROUP NOT**
30 **DESCRIBED IN ITEM (I) OF THIS PARAGRAPH UNDER THE CIRCUMSTANCES AND**
31 **TO THE EXTENT PROVIDED IN REGULATIONS ADOPTED BY THE COMPTROLLER**

1 TO PREVENT THE AVOIDANCE OF TAX OR TO REFLECT CLEARLY INCOME OF ANY
2 MEMBER OF THE COMBINED GROUP FOR ANY PERIOD.

3 (3) "UNITARY GROUP" MEANS AN AFFILIATED GROUP OF
4 CORPORATIONS:

5 (I) THAT IS ENGAGED IN A UNITARY BUSINESS; AND

6 (II) OF WHICH MORE THAN 50% OF THE VOTING STOCK OF
7 EACH MEMBER IS DIRECTLY OR INDIRECTLY OWNED BY:

8 1. A COMMON OWNER OR COMMON OWNERS, EITHER
9 CORPORATE OR NONCORPORATE; OR

10 2. ONE OR MORE MEMBER CORPORATIONS OF THE
11 GROUP.

12 (B) WHETHER OR NOT THE COMBINED GROUP FILES A COMBINED
13 INCOME TAX RETURN UNDER § 10-811 OF THIS TITLE, A MEMBER OF A
14 COMBINED GROUP SHALL COMPUTE ITS MARYLAND TAXABLE INCOME USING
15 THE COMBINED REPORTING METHOD UNDER THIS SECTION.

16 (C) UNDER THE COMBINED REPORTING METHOD, IF A CORPORATION IS
17 A MEMBER OF A UNITARY GROUP AND IS SUBJECT TO THE MARYLAND INCOME
18 TAX, THE PART OF THE CORPORATION'S MARYLAND MODIFIED INCOME THAT IS
19 DERIVED FROM OR REASONABLY ATTRIBUTABLE TO TRADE OR BUSINESS
20 CARRIED ON IN THE STATE SHALL BE DETERMINED AS FOLLOWS:

21 (1) DETERMINE THE MARYLAND MODIFIED INCOME OF THE
22 COMBINED GROUP, BY COMBINING THE CORPORATION'S INCOME WITH THE
23 INCOME OF OTHER MEMBERS OF THE COMBINED GROUP, DISREGARDING
24 TRANSACTIONS BETWEEN MEMBERS OF THE COMBINED GROUP TO REFLECT
25 CLEARLY THE INCOME OF THE COMBINED GROUP;

26 (2) DETERMINE THE PART OF THE COMBINED GROUP'S
27 MARYLAND MODIFIED INCOME THAT IS DERIVED FROM OR REASONABLY
28 ATTRIBUTABLE TO TRADE OR BUSINESS CARRIED ON IN THE STATE USING A
29 MARYLAND APPORTIONMENT FRACTION OF THE COMBINED GROUP, BASED ON
30 NUMERATORS AND DENOMINATORS OF THE PROPERTY, PAYROLL, AND SALES
31 FACTORS UNDER § 10-402 OF THIS SUBTITLE COMPUTED BY COMBINING THOSE
32 AMOUNTS ASSOCIATED WITH THE ACTIVITIES OF THE CORPORATION WITH THE
33 ACTIVITIES OF OTHER MEMBERS OF THE COMBINED GROUP, DISREGARDING
34 TRANSACTIONS BETWEEN MEMBERS OF THE COMBINED GROUP TO REFLECT
35 CLEARLY THE INCOME ALLOCABLE TO MARYLAND; AND

1 **(3) FOR EACH MEMBER OF THE COMBINED GROUP THAT IS**
2 **SUBJECT TO THE MARYLAND INCOME TAX, ALLOCATE A PORTION OF THE**
3 **AMOUNT DETERMINED UNDER ITEM (2) OF THIS SUBSECTION TO THAT**
4 **CORPORATION BY MULTIPLYING THE AMOUNT DETERMINED UNDER ITEM (2) OF**
5 **THIS SUBSECTION BY A FRACTION:**

6 **(I) THE NUMERATOR OF WHICH IS THE MARYLAND**
7 **APPORTIONMENT FRACTION OF THAT CORPORATION, DETERMINED BY USING**
8 **THAT CORPORATION'S MARYLAND FACTORS IN THE NUMERATORS OF THE**
9 **APPORTIONMENT FORMULA AND USING THE COMBINED FACTORS OF ALL**
10 **MEMBERS OF THE COMBINED GROUP IN THE DENOMINATORS OF THE**
11 **APPORTIONMENT FORMULA; AND**

12 **(II) THE DENOMINATOR OF WHICH IS THE SUM OF THE**
13 **MARYLAND APPORTIONMENT FRACTIONS OF THE MEMBERS OF THE COMBINED**
14 **GROUP THAT ARE SUBJECT TO THE MARYLAND INCOME TAX.**

15 **(D) (1) SUBJECT TO REGULATIONS ADOPTED BY THE COMPTROLLER,**
16 **A CORPORATION THAT IS PART OF A COMBINED GROUP MAY ELECT TO**
17 **DETERMINE ITS INCOME DERIVED FROM OR ATTRIBUTABLE TO TRADE OR**
18 **BUSINESS IN THE STATE USING A WATER'S EDGE METHOD AS DESCRIBED IN**
19 **THIS SUBSECTION.**

20 **(2) UNDER THE WATER'S EDGE METHOD, THE COMBINED GROUP**
21 **FOR PURPOSES OF THE COMBINED REPORTING METHOD REQUIRED UNDER THIS**
22 **SECTION SHALL INCLUDE ONLY THE FOLLOWING AFFILIATED ENTITIES:**

23 **(I) CORPORATIONS THAT ARE INCORPORATED IN THE**
24 **UNITED STATES, EXCLUDING CORPORATIONS MAKING AN ELECTION UNDER §§**
25 **931 THROUGH 936 OF THE INTERNAL REVENUE CODE;**

26 **(II) DOMESTIC INTERNATIONAL SALES CORPORATIONS, AS**
27 **DESCRIBED IN §§ 991 THROUGH 994 OF THE INTERNAL REVENUE CODE AND**
28 **FOREIGN SALES CORPORATIONS AS DESCRIBED IN §§ 921 THROUGH 927 OF THE**
29 **INTERNAL REVENUE CODE;**

30 **(III) ANY CORPORATION, OTHER THAN A BANK, REGARDLESS**
31 **OF THE PLACE WHERE IT IS INCORPORATED IF THE AVERAGE OF ITS PROPERTY,**
32 **PAYROLL, AND SALES FACTORS WITHIN THE UNITED STATES IS 20% OR MORE;**

33 **(IV) EXPORT TRADE CORPORATIONS, AS DESCRIBED IN §§**
34 **970 THROUGH 972 OF THE INTERNAL REVENUE CODE;**

35 **(V) A FOREIGN CORPORATION DERIVING GAIN OR LOSS**
36 **FROM DISPOSITION OF AN INTEREST IN REAL PROPERTY IN THE UNITED**

1 STATES TO THE EXTENT RECOGNIZED UNDER § 897 OF THE INTERNAL
2 REVENUE CODE; AND

3 (VI) UNDER THE CIRCUMSTANCES AND TO THE EXTENT
4 PROVIDED BY REGULATIONS THAT THE COMPTROLLER ADOPTS:

5 1. A CORPORATION NOT DESCRIBED IN ITEMS (I)
6 THROUGH (V) OF THIS PARAGRAPH, TO THE EXTENT OF ITS INCOME DERIVED
7 FROM OR ATTRIBUTABLE TO SOURCES WITHIN THE UNITED STATES AND ITS
8 FACTORS ASSIGNABLE TO A LOCATION WITHIN THE UNITED STATES; OR

9 2. AN AFFILIATED CORPORATION THAT IS A
10 CONTROLLED FOREIGN CORPORATION, AS DEFINED IN § 957 OF THE INTERNAL
11 REVENUE CODE.

12 (3) THE USE OF THE WATER'S EDGE METHOD IS SUBJECT TO THE
13 TERMS AND CONDITIONS THAT THE COMPTROLLER REQUIRES BY REGULATION,
14 INCLUDING ANY CONDITIONS THAT ARE NECESSARY OR APPROPRIATE TO
15 PREVENT THE AVOIDANCE OF TAX OR TO REFLECT CLEARLY INCOME FOR ANY
16 PERIOD.

17 (E) (1) THE COMPTROLLER SHALL ADOPT REGULATIONS THAT ARE
18 NECESSARY OR APPROPRIATE TO CARRY OUT THIS SECTION.

19 (2) THE REGULATIONS ADOPTED BY THE COMPTROLLER SHALL
20 BE CONSISTENT WITH THE "PRINCIPLES FOR DETERMINING THE EXISTENCE OF
21 A UNITARY BUSINESS" (REG. IV.1.(B)) ADOPTED BY THE MULTISTATE TAX
22 COMMISSION.

23 10-811.

24 (A) [Each member of] EXCEPT AS PROVIDED BY AND SUBJECT TO
25 REGULATIONS ADOPTED BY THE COMPTROLLER, an affiliated group of
26 corporations [shall file a separate income tax return] ENGAGED IN A UNITARY
27 BUSINESS SHALL FILE A COMBINED INCOME TAX RETURN REFLECTING THE
28 AGGREGATE INCOME TAX LIABILITY OF ALL OF THE MEMBERS OF THE
29 AFFILIATED GROUP THAT ARE ENGAGED IN A UNITARY BUSINESS.

30 (B) THE COMPTROLLER SHALL ADOPT REGULATIONS THAT ARE
31 NECESSARY OR APPROPRIATE TO CARRY OUT THIS SECTION.

32 Article – State Finance and Procurement

33 7-327.

1 (A) IN THIS SECTION, "FUND" MEANS THE TEACHER PENSION
2 SUSTAINABILITY AND SOLVENCY TRUST FUND.

3 (B) THERE IS A TEACHER PENSION SUSTAINABILITY AND SOLVENCY
4 TRUST FUND.

5 (C) THE PURPOSE OF THE FUND IS TO OFFSET THE STATE'S COST IN
6 MAKING EMPLOYER CONTRIBUTIONS TO THE EMPLOYEES' AND TEACHERS'
7 SYSTEMS OF THE STATE RETIREMENT AND PENSION SYSTEM.

8 (D) THE SECRETARY OF BUDGET AND MANAGEMENT SHALL
9 ADMINISTER THE FUND.

10 (E) (1) THE FUND IS A SPECIAL, NONLAPSING FUND THAT IS NOT
11 SUBJECT TO § 7-302 OF THIS SUBTITLE.

12 (2) THE STATE TREASURER SHALL HOLD THE FUND
13 SEPARATELY, AND THE COMPTROLLER SHALL ACCOUNT FOR THE FUND.

14 (F) THE FUND CONSISTS OF:

15 (1) MONEY DISTRIBUTED TO THE FUND UNDER §§ 2-608.2 AND
16 2-613.1 OF THE TAX - GENERAL ARTICLE;

17 (2) MONEY APPROPRIATED IN THE STATE BUDGET TO THE FUND;

18 (3) INVESTMENT EARNINGS OF THE FUND; AND

19 (4) ANY OTHER MONEY FROM ANY OTHER SOURCE ACCEPTED FOR
20 THE BENEFIT OF THE FUND.

21 (G) THE FUND MAY BE USED ONLY AS PROVIDED IN § 21-304(E) OF THE
22 STATE PERSONNEL AND PENSIONS ARTICLE TO OFFSET THE STATE'S COST OF
23 CONTRIBUTIONS TO THE EMPLOYEES' AND TEACHERS' SYSTEMS OF THE STATE
24 RETIREMENT AND PENSION SYSTEM.

25 (H) (1) THE STATE TREASURER SHALL INVEST THE MONEY OF THE
26 FUND IN THE SAME MANNER AS OTHER STATE MONEY MAY BE INVESTED.

27 (2) ANY INVESTMENT EARNINGS OF THE FUND SHALL BE PAID
28 INTO THE FUND.

1 21–304.

2 (a) (1) In this section the following words have the meanings indicated.

3 (2) “Full funding rate” means the sum of:

4 (i) the aggregate normal rate that is based on the normal
5 contribution rate calculated under subsection (c) of this section and adjusted to
6 incorporate legislative changes in benefits to reflect changes to the normal cost; and

7 (ii) the aggregate unfunded accrued liability contribution rate
8 that is based on the unfunded accrued liability contribution rate under subsection
9 (d)(1) and (2) of this section.

10 (3) “Funding ratio for the employees’ systems” means the actuarial
11 value of assets for the employees’ systems divided by the actuarial accrued liability for
12 the employees’ systems.

13 (4) “Funding ratio for the teachers’ systems” means the actuarial
14 value of assets for the teachers’ systems divided by the actuarial accrued liability for
15 the teachers’ systems.

16 (5) “State member” does not include a member on whose behalf a
17 participating governmental unit is required to make an employer contribution under §
18 21–305 or § 21–306 of this subtitle.

19 (b) (1) Each fiscal year, on behalf of the State members of each State
20 system, the State shall pay to the appropriate accumulation fund an amount equal to
21 or greater than the sum of the amount, if any, required to be included in the budget
22 bill under § 3–501(c)(2)(ii) of this article and the product of multiplying:

23 (i) the aggregate annual earnable compensation of the State
24 members of that State system; and

25 (ii) [1. for State members of the Law Enforcement Officers’
26 Retirement System, State Police Retirement System, and the Judges’ Retirement
27 System,] the sum of the normal contribution rate and the accrued liability
28 contribution rate, as determined under this section[;

29 2. for State members of the Employees’ Pension System,
30 Employees’ Retirement System, Correctional Officers’ Retirement System, and
31 Legislative Pension Plan, the employees’ systems contribution rate determined under
32 subsection (e) of this section; or

33 3. for State members of the Teachers’ Pension System
34 and Teachers’ Retirement System, the teachers’ systems contribution rate determined
35 under subsection (f) of this section].

1 (2) The amount determined under paragraph (1) of this subsection for
2 each State system shall be based on an actuarial determination of the amounts that
3 are required to preserve the integrity of the funds of the several systems using:

4 (i) the entry–age actuarial cost method; and

5 (ii) actuarial assumptions adopted by the Board of Trustees.

6 (3) For the purpose of making the determinations required under this
7 section:

8 (i) the Employees' Retirement System, the Employees' Pension
9 System, the Correctional Officers' Retirement System, and the Legislative Pension
10 Plan shall be considered together as one State system; and

11 (ii) the Teachers' Retirement System and the Teachers' Pension
12 System shall be considered together as one State system.

13 (c) (1) As part of each actuarial valuation, the actuary shall determine
14 the normal contributions, net of member contributions, on account of the State
15 members of each State system.

16 (2) For each State system, the normal contribution rate equals the
17 fraction that has:

18 (i) as its numerator, the sum of the normal contributions
19 determined under this subsection; and

20 (ii) as its denominator, the aggregate annual earnable
21 compensation of the State members of the State system.

22 (d) (1) Beginning July 1, 2001, each year the Board of Trustees shall set
23 contribution rates for each State system that shall amortize:

24 (i) all unfunded liabilities or surpluses accrued as of June 30,
25 2000, over 20 years; and

26 (ii) any new unfunded liabilities or surpluses that have accrued
27 from July 1 of the preceding fiscal year over 25 years to reflect:

28 1. experience gains and losses;

29 2. the effect of changes in actuarial assumptions; and

30 3. the effect of legislation effective on or after July 1,
31 2001.

1 (2) If the accrued liability is increased by legislation that provides for
 2 early retirement of State employees, the additional liability shall be funded over a
 3 period of 5 years beginning on:

4 (i) July 1, 1997 for legislation effective June 1, 1996; and

5 (ii) July 1, 1998 for legislation effective June 1, 1997.

6 (3) If the accrued liability is increased by legislation effective June 1,
 7 1998, that provides for the early retirement of employees of the University System of
 8 Maryland who are members of the Employees' Pension System or the Employees'
 9 Retirement System, the additional liability shall be determined by the actuary and
 10 funded over a period of 5 years beginning on July 1, 1999 by payment of an annual
 11 accrued liability contribution by the University System of Maryland and the Medical
 12 System as provided in § 21-307(h) and (i) of this subtitle.

13 (e) **(1) (I) IN THIS SUBSECTION THE FOLLOWING WORDS HAVE**
 14 **THE MEANINGS INDICATED.**

15 **(II) "EMPLOYEES' CORRIDOR FUNDING RATE" MEANS THE**
 16 **ALTERNATIVE CONTRIBUTION RATE FOR THE EMPLOYEES' SYSTEMS**
 17 **CALCULATED UNDER THIS SUBSECTION.**

18 **(III) "TEACHERS' CORRIDOR FUNDING RATE" MEANS THE**
 19 **ALTERNATIVE CONTRIBUTION RATE FOR THE TEACHERS' SYSTEMS**
 20 **CALCULATED UNDER THIS SUBSECTION.**

21 **(IV) "TRUST FUND" MEANS THE TEACHER PENSION**
 22 **SUSTAINABILITY AND SOLVENCY TRUST FUND ESTABLISHED UNDER § 7-327 OF**
 23 **THE STATE FINANCE AND PROCUREMENT ARTICLE.**

24 **(2) IN ADDITION TO THE EMPLOYER CONTRIBUTION CALCULATED**
 25 **UNDER SUBSECTION (B) OF THIS SECTION FOR EACH STATE SYSTEM, THE**
 26 **ACTUARY SHALL CALCULATE:**

27 **(I) AN ALTERNATIVE CONTRIBUTION FOR THE EMPLOYEES'**
 28 **SYSTEMS USING THE EMPLOYEES' CORRIDOR FUNDING RATE; AND**

29 **(II) AN ALTERNATIVE CONTRIBUTION FOR THE TEACHERS'**
 30 **SYSTEMS USING THE TEACHERS' CORRIDOR FUNDING RATE.**

31 **[(1)] (3) (I) When the funding ratio for the employees' systems is**
 32 **between 90% and 110%, inclusive, the employees' [system contribution] CORRIDOR**
 33 **FUNDING rate is the EMPLOYEES' CORRIDOR FUNDING rate for the previous fiscal**

1 year, adjusted to reflect legislative changes that result in changes in normal cost and
2 to amortize over 25 years any actuarial liabilities of the employees' systems.

3 **[(2)] (II)** When the funding ratio for the employees' systems is below
4 90%, the employees' [system contribution] **CORRIDOR FUNDING** rate shall be the
5 sum of:

6 **[(i)] 1.** the employees' [system contribution] **CORRIDOR**
7 **FUNDING** rate for the previous fiscal year; and

8 **[(ii)] 2.** 20% of the difference between the full funding rate for
9 the current fiscal year and the employees' [system contribution] **CORRIDOR FUNDING**
10 rate for the previous fiscal year.

11 **[(3)] (III)** When the funding ratio for the employees' systems is above
12 110%, the employees' [system contribution] **CORRIDOR FUNDING** rate shall be the
13 [difference between:

14 (i) the employees' system contribution rate for the previous
15 fiscal year; and

16 (ii) 20% of the difference between the employees' system
17 contribution rate for the previous fiscal year and] **SAME AS** the full funding rate for
18 the current fiscal year.

19 **[(f) (1)] (4) (I)** When the funding ratio for the teachers' systems is
20 between 90% and 110%, the teachers' [system contribution] **CORRIDOR FUNDING**
21 rate is the **TEACHERS' CORRIDOR FUNDING** rate for the previous fiscal year,
22 adjusted to reflect legislative changes that result in changes in normal cost and to
23 amortize over 25 years any actuarial liabilities of the teachers' systems.

24 **[(2)] (II)** When the funding ratio for the teachers' systems is below
25 90%, the teachers' [system contribution] **CORRIDOR FUNDING** rate shall be the sum
26 of:

27 **[(i)] 1.** the teachers' [system contribution] **CORRIDOR**
28 **FUNDING** rate for the previous fiscal year; and

29 **[(ii)] 2.** 20% of the difference between the full funding rate for
30 the current fiscal year and the teachers' [system contribution] **CORRIDOR FUNDING**
31 rate for the previous fiscal year.

32 **[(3)] (III)** When the funding ratio for the teachers' systems is above
33 110%, the teachers' [system contribution] **CORRIDOR FUNDING** rate shall be the
34 [difference between:

1 (i) the teachers' system contribution rate for the previous fiscal
2 year; and

3 (ii) 20% of the difference between the teachers' system
4 contribution rate for the previous fiscal year and] SAME AS the full funding rate for
5 the current fiscal year.

6 **(5) FOR ANY FISCAL YEAR, IF THE SUM OF THE EMPLOYER**
7 **CONTRIBUTION FOR THE EMPLOYEES' SYSTEMS CALCULATED USING THE FULL**
8 **FUNDING RATE PLUS THE EMPLOYER CONTRIBUTION FOR THE TEACHERS'**
9 **SYSTEMS CALCULATED USING THE FULL FUNDING RATE EXCEEDS THE SUM OF**
10 **THE ALTERNATIVE EMPLOYER CONTRIBUTION FOR THE EMPLOYEES' SYSTEMS**
11 **CALCULATED USING THE EMPLOYEES' CORRIDOR FUNDING RATE PLUS THE**
12 **ALTERNATIVE EMPLOYER CONTRIBUTION FOR THE TEACHERS' SYSTEMS**
13 **CALCULATED USING THE TEACHERS' CORRIDOR FUNDING RATE, THE**
14 **GOVERNOR SHALL TRANSFER FROM THE TRUST FUND TO THE GENERAL FUND**
15 **OF THE STATE AN AMOUNT EQUAL TO THE LESSER OF:**

16 **(I) THE AMOUNT BY WHICH THE SUM OF THE EMPLOYER**
17 **CONTRIBUTION FOR THE EMPLOYEES' SYSTEMS CALCULATED USING THE FULL**
18 **FUNDING RATE PLUS THE EMPLOYER CONTRIBUTION FOR THE TEACHERS'**
19 **SYSTEMS CALCULATED USING THE FULL FUNDING RATE EXCEEDS THE SUM OF**
20 **THE ALTERNATIVE EMPLOYER CONTRIBUTION FOR THE EMPLOYEES' SYSTEMS**
21 **CALCULATED USING THE EMPLOYEES' CORRIDOR FUNDING RATE PLUS THE**
22 **ALTERNATIVE EMPLOYER CONTRIBUTION FOR THE TEACHERS' SYSTEMS**
23 **CALCULATED USING THE TEACHERS' CORRIDOR FUNDING RATE; AND**

24 **(II) THE BALANCE IN THE TRUST FUND AS OF JULY 1 OF THE**
25 **FISCAL YEAR.**

26 **(6) FOR ANY FISCAL YEAR, IF THE SUM OF THE EMPLOYER**
27 **CONTRIBUTION FOR THE EMPLOYEES' SYSTEMS CALCULATED USING THE FULL**
28 **FUNDING RATE PLUS THE EMPLOYER CONTRIBUTION FOR THE TEACHERS'**
29 **SYSTEMS CALCULATED USING THE FULL FUNDING RATE IS LESS THAN OR**
30 **EQUAL TO THE SUM OF THE ALTERNATIVE EMPLOYER CONTRIBUTION FOR THE**
31 **EMPLOYEES' SYSTEMS CALCULATED USING THE EMPLOYEES' CORRIDOR**
32 **FUNDING RATE PLUS THE ALTERNATIVE EMPLOYER CONTRIBUTION FOR THE**
33 **TEACHERS' SYSTEMS CALCULATED USING THE TEACHERS' CORRIDOR FUNDING**
34 **RATE, THE GOVERNOR SHALL TRANSFER FROM THE TRUST FUND TO THE**
35 **GENERAL FUND OF THE STATE AN AMOUNT EQUAL TO THE LESSER OF:**

36 **(I) THE TOTAL EMPLOYER CONTRIBUTION FOR THE**
37 **TEACHERS' SYSTEMS FOR THE FISCAL YEAR; AND**

1 **(II) THE BALANCE IN THE TRUST FUND AS OF JULY 1 OF THE**
2 **FISCAL YEAR.**

3 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
4 July 1, 2010, and shall be applicable to all taxable years beginning after December 31,
5 2010.